

LA PAZ COUNTY, ARIZONA
Single Audit Reporting Package
June 30, 2001

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Table of Contents	Page
Report on Audit of General Purpose Financial Statements	
Independent Auditors' Report	1
Combined Balance Sheet—All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual—General and Special Revenue Fund Types	5
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual—Capital Projects Fund Type	9
Statement of Revenues, Expenses, and Changes in Retained Earnings—Enterprise Fund	10
Statement of Cash Flows—Enterprise Fund	11
Combining Statement of Net Assets—Investment Trust Funds	13
Combining Statement of Changes in Net Assets—Investment Trust Funds	14
Notes to Financial Statements	15
Supplementary Information	
Schedule of Expenditures of Federal Awards	36
Notes to Schedule of Expenditures of Federal Awards	37
Reports on Compliance and Internal Control	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	40
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	42
Financial Statement Findings	43
Federal Award Findings and Questioned Costs	44
County Responses	
Corrective Action Plan	45



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
La Paz County, Arizona

We have audited the accompanying general purpose financial statements of La Paz County as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of La Paz County as of June 30, 2001, and the results of its operations, the cash flows of its enterprise fund, and the net assets and changes in net assets of its investment trust funds for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of La Paz County taken as a whole. The accompanying schedule of expenditures of federal awards listed in the table of contents is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2002, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Debbie Davenport
Auditor General

May 23, 2002

LA PAZ COUNTY
Combined Balance Sheet—All Fund Types and Account Groups
June 30, 2001

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long- Term Debt</u>
Assets							
Cash and cash equivalents	\$ 1,048,873	\$ 3,971,045	\$ 94,393	\$ 33,072	\$ 17,749,635		
Cash and investments held by trustees	410,121	482,825		629,776			
Receivables:							
Property taxes	366,178	593					
Accounts	46,541						
Accrued interest					14,500		
Due from:							
Others	110,651	7,413					
Other funds	771,558	5,657					
Other governments	395,125	1,059,002					
Prepaid items	78,067	1,228		280			
Fixed assets:							
Golf course and improvements				2,800,454			
Land						\$ 585,757	
Buildings						8,952,001	
Improvements other than buildings						383,309	
Machinery and equipment				824,384		10,561,227	
Total Accumulated depreciation				(1,742,645)			
Amount available for certificates of participation							\$ 892,946
Amount to be provided for retirement of general long-term debt							4,740,330
Total assets	<u>\$ 3,227,114</u>	<u>\$ 5,527,763</u>	<u>\$ 94,393</u>	<u>\$ 2,545,321</u>	<u>\$ 17,764,135</u>	<u>\$ 20,482,294</u>	<u>\$ 5,633,276</u>

(Continued)

See accompanying notes to financial statements.

LA PAZ COUNTY
Combined Balance Sheet—All Fund Types and Account Groups
June 30, 2001
(Continued)

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long- Term Debt</u>
Liabilities and Fund Equity							
Liabilities:							
Accounts payable	\$ 201,320	\$ 628,765	\$93,571	\$ 64,005			
Accrued payroll and employee benefits	169,967	244,047		23,141			
Due to:							
Others		5,186					
Other funds		5,657		771,558			
Deposits held for others					\$ 1,031,404		
Compensated absences payable				17,512			\$ 365,528
Claims and judgments payable							289,000
Obligations under capital leases				13,592			180
Certificates of participation payable				2,440,000			3,530,000
Loan payable							1,448,568
Deferred revenues	<u>353,008</u>	<u>511</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Total liabilities	<u>724,295</u>	<u>884,166</u>	<u>93,571</u>	<u>3,329,808</u>	<u>1,031,404</u>	<u></u>	<u>5,633,276</u>
Fund equity:							
Investment in general fixed assets						\$ 20,482,294	
Accumulated deficit				(784,487)			
Fund balances:							
Reserved for certificates of participation retirement	410,121	482,825					
Reserved for prepaid items	78,067	1,228					
Reserved for investment trust participants					16,732,731		
Unreserved	<u>2,014,631</u>	<u>4,159,544</u>	<u>822</u>	<u></u>	<u></u>	<u></u>	<u></u>
Total fund equity (deficit)	<u>2,502,819</u>	<u>4,643,597</u>	<u>822</u>	<u>(784,487)</u>	<u>16,732,731</u>	<u>20,482,294</u>	<u></u>
Total liabilities and fund equity	<u>\$ 3,227,114</u>	<u>\$ 5,527,763</u>	<u>\$94,393</u>	<u>\$ 2,545,321</u>	<u>\$ 17,764,135</u>	<u>\$ 20,482,294</u>	<u>\$ 5,633,276</u>

See accompanying notes to financial statements.

LA PAZ COUNTY
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
Year Ended June 30, 2001

	Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Revenues:			
Taxes	\$ 2,861,913	\$ 375,117	
Licenses and permits	122,557	7,140	
Intergovernmental	3,758,355	7,351,629	
Charges for services	475,910	2,628,816	
Fines and forfeits	723,573	2,842	
Investment income	164,976	205,520	
Miscellaneous	333,682	289,946	
Total revenues	<u>8,440,966</u>	<u>10,861,010</u>	
Expenditures:			
Current:			
General government	3,972,356	803,157	
Public safety	3,163,723	3,916,921	
Highways and streets		5,435,062	
Sanitation	31,715	4,893	
Health	1,205,580	548,616	
Welfare	72,632	265,096	
Culture and recreation		527,552	
Education	139,767		
Capital outlay			<u>\$372,663</u>
Total expenditures	<u>8,585,773</u>	<u>11,501,297</u>	<u>372,663</u>
Excess of expenditures over revenues	<u>(144,807)</u>	<u>(640,287)</u>	<u>(372,663)</u>
Other financing sources (uses):			
Operating transfers in	1,100,000	783,248	377,185
Operating transfers out	(1,061,547)	(1,198,886)	
Loan proceeds		<u>1,448,568</u>	
Total other financing sources	<u>38,453</u>	<u>1,032,930</u>	<u>377,185</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(106,354)</u>	<u>392,643</u>	<u>4,522</u>
Fund balances (deficit), July 1, 2000	<u>2,609,173</u>	<u>4,250,954</u>	<u>(3,700)</u>
Fund balances, June 30, 2001	<u>\$ 2,502,819</u>	<u>\$ 4,643,597</u>	<u>\$ 822</u>

See accompanying notes to financial statements.

LA PAZ COUNTY
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual—General and Special Revenue Fund Types
Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:						
Taxes	\$ 2,930,000	\$ 2,861,913	\$ (68,087)	\$ 259,236	\$ 375,117	\$ 115,881
Licenses and permits	140,000	122,557	(17,443)	5,000	7,140	2,140
Intergovernmental	3,885,000	3,758,355	(126,645)	7,118,938	7,351,629	232,691
Charges for services	433,000	475,910	42,910	2,699,758	2,628,816	(70,942)
Fines and forfeits	675,000	723,573	48,573	7,079	2,842	(4,237)
Investment income	80,000	164,976	84,976	125,700	205,520	79,820
Miscellaneous	1,440,000	333,682	(1,106,318)	1,089,153	289,946	(799,207)
Total revenues	9,583,000	8,440,966	(1,142,034)	11,304,864	10,861,010	(443,854)
Expenditures:						
Current:						
General government:						
Assessor	318,972	311,797	7,175			
County attorney	431,832	353,715	78,117			
Board of supervisors	442,243	205,195	237,048			
Clerk superior court	285,746	263,914	21,832			
Constable	1,648	663	985			
Elections	67,159	58,991	8,168			
Justice of the Peace #4	283,248	289,706	(6,458)			
Justice of the Peace #5	158,182	153,618	4,564			
Justice of the Peace #6	225,117	225,570	(453)			
Planning and zoning	228,618	219,436	9,182			
Recorder	174,939	158,249	16,690			
Municipal property corporation	53,517	53,215	302			
Superior court	282,555	291,408	(8,853)			
Treasurer	196,231	134,431	61,800			
Contingency	640,000	70,188	569,812			
Public private partnership	53,547	1,006	52,541			
Management information services	98,184	88,403	9,781			
Law library	6,500	8,191	(1,691)			
Public defender	342,443	342,067	376			
Miscellaneous	177,076	179,390	(2,314)			
Finance/personnel	180,871	125,300	55,571			
GIS/master planning	17,451	12,514	4,937			
Facilities management	495,460	425,389	70,071			
Conciliation court				11,748	3,283	8,465
Law library				7,079	6,522	557
Mitigation grant—wenden					64,977	(64,977)
County extension fund				59,940	59,940	
Fill the gap					109	(109)
Growing smarter planning grant					3,857	(3,857)
LAG grant				57,000		57,000
CA RICO				34,764	28,638	6,126
Casa Court-appointed special advocate				12,441	9,526	2,915
Court Improvement Project				1,500	835	665
Public defender fees				2,500		2,500
Task force prosecutor				62,523	76,819	(14,296)
Criminal justice enhancement				78,478	80,853	(2,375)
Public defender training				3,500	2,656	844

(Continued)

See accompanying notes to financial statements.

LA PAZ COUNTY
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual—General and Special Revenue Fund Types
Year Ended June 30, 2001
(Continued)

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
CDBG programs				\$ 227,713	\$ 557	\$ 227,156
DES child support				276,800	251,588	25,212
Document storage—recorder				35,700	7,973	27,727
Document storage—superior court				4,596		4,596
Child support SSRE/incentives				10,000		10,000
County antiracketeering				137,054	132,575	4,479
Victim's rights				5,241	3,632	1,609
Victim's witness program (state)				15,463	20,526	(5,063)
Juvenile victim's rights fund				7,007	4,986	2,021
Endangered species fund				10,000	43,305	(33,305)
Taxpayer information				30,000		30,000
Drug treatment and education fund				40,000		40,000
Total general government	<u>\$ 5,161,539</u>	<u>\$ 3,972,356</u>	<u>\$ 1,189,183</u>	<u>1,131,047</u>	<u>803,157</u>	<u>327,890</u>
Public safety:						
Regional dispatch	483,283	484,040	(757)			
Sheriff	1,963,259	1,975,404	(12,145)			
Probation	82,001	85,097	(3,096)			
Aircraft	24,850	14,065	10,785			
Maintenance of effort	538,519	538,519				
Juvenile probation	78,568	66,598	11,970			
Emergency services				44,911	41,574	3,337
Rabies control					218	(218)
Drug enforcement probation				8,416	9,416	(1,000)
LLEBG—sheriff's overtime				25,000	11,815	13,185
COPS universal					810	(810)
Search and rescue contribution				5,000	87	4,913
Parent education fund				2,160	2,160	
Wenden street lighting				4,400	4,383	17
Salome street lighting				2,047	3,055	(1,008)
Lakeside 5 street lighting				3,951		3,951
La Paz estates SLID				1,497	1,296	201
AORCC boat patrol grant				169,813	169,897	(84)
Jail enhancement grant				147,750	100,948	46,802
ACJC drug enforcement				130,600	113,571	17,029
Fill-the-gaps courts				15,000		15,000
Adult state aid enhancement				113,582	119,590	(6,008)
State aid for juvenile probation				38,300	38,301	(1)
Family counseling				6,846	10,265	(3,419)
Juvenile school resource fund				45,050	43,042	2,008
Adult community punishment grant				2,712	2,689	23
Juvenile probation fees				13,500	7,457	6,043
County probation services				116,000	119,878	(3,878)
Adult intensive probation				63,082	57,427	5,655
Juvenile intensive probation				71,600	57,792	13,808
CJEF contract sheriff					5,990	(5,990)
SLIF project boats-2001					51,851	(51,851)
Jail commissary				55,804	53,866	1,938
DARE contributions				10,000	62	9,938
Highway safety grant				26,000	206	25,794

(Continued)

See accompanying notes to financial statements.

LA PAZ COUNTY
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual—General and Special Revenue Fund Types
Year Ended June 30, 2001
(Continued)

	General Fund			Special Revenue Funds		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Cops in school				\$ 49,481	\$ 69,126	\$ (19,645)
Drug treatment and education fund					11,455	(11,455)
Juvenile diversion fund intake				61,377	45,809	15,568
Juvenile diversion consequences				17,844	10,278	7,566
La Paz County jail district				2,573,925	2,752,607	(178,682)
Total public safety	<u>\$ 3,170,480</u>	<u>\$ 3,163,723</u>	<u>\$ 6,757</u>	<u>3,825,648</u>	<u>3,916,921</u>	<u>(91,273)</u>
Highways and streets:						
Road				3,970,807	2,832,004	1,138,803
Wenden flood-Oct 2000					1,154,490	(1,154,490)
Help Loan					1,448,568	(1,448,568)
Total highways and streets				<u>3,970,807</u>	<u>5,435,062</u>	<u>(1,464,255)</u>
Sanitation:						
Sanitary landfill	10,000		10,000			
County department of environmental quality	37,642	31,715	5,927			
ADEQ—waste tire disposal				60,000	2,586	57,414
ADEQ DPA contract				2,510	2,307	203
Total sanitation	<u>47,642</u>	<u>31,715</u>	<u>15,927</u>	<u>62,510</u>	<u>4,893</u>	<u>57,617</u>
Health:						
Indigent health	515,044	505,443	9,601			
County long term care 11-29302	645,551	626,732	18,819			
C.M.I. chronically mentally ill	58,150	24,272	33,878			
Health department transit	91,477	49,133	42,344			
Rabies control				62,165	46,584	15,581
Health department				323,355	321,168	2,187
TB grant (state)				21,563	5,787	15,776
Wenden domestic water					167	(167)
Transit				11,000	48,152	(37,152)
Tobacco grant				154,108	111,275	42,833
Maternal child health				28,193	3,106	25,087
Family planning				14,530	12,377	2,153
Total health	<u>1,310,222</u>	<u>1,205,580</u>	<u>104,642</u>	<u>614,914</u>	<u>548,616</u>	<u>66,298</u>
Welfare:						
Public fiduciary	75,314	72,632	2,682			
Job training partnership act				271,042	160,647	110,395
WIA					104,449	(104,449)
Total welfare	<u>75,314</u>	<u>72,632</u>	<u>2,682</u>	<u>271,042</u>	<u>265,096</u>	<u>5,946</u>
Culture and recreation:						
La Paz County park				453,008	427,373	25,635
Park grants				736,000	3,958	732,042
Parker library				78,259	83,192	(4,933)
OHV grant					13,029	(13,029)
Total culture and recreation				<u>1,267,267</u>	<u>527,552</u>	<u>739,715</u>
Education:						
School superintendent	141,108	139,767	1,341			
Total education	<u>141,108</u>	<u>139,767</u>	<u>1,341</u>			
Total expenditures	<u>9,906,305</u>	<u>8,585,773</u>	<u>1,320,532</u>	<u>11,143,235</u>	<u>11,501,297</u>	<u>(358,062)</u>

(Continued)

See accompanying notes to financial statements.

LA PAZ COUNTY
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual—General and Special Revenue Fund Types
Year Ended June 30, 2001
(Continued)

	General Fund			Special Revenue Funds		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Excess of revenues over (under) expenditures	\$ (323,305)	\$ (144,807)	\$ 178,498	\$ 161,629	\$ (640,287)	\$ (801,916)
Other financing sources (uses):						
Operating transfers in	81,404	1,100,000	1,018,596	364,900	783,248	418,348
Operating transfers out	(604,900)	(1,061,547)	(456,647)		(1,198,886)	(1,198,886)
Loan proceeds					1,448,568	1,448,568
Total other financing sources (uses)	<u>(523,496)</u>	<u>38,453</u>	<u>561,949</u>	<u>364,900</u>	<u>1,032,930</u>	<u>668,030</u>
Excess of revenues and other sources over (under) expenditures and other uses	(846,801)	(106,354)	740,447	526,529	392,643	(133,886)
Fund balances (deficit), July 1, 2000	<u>846,801</u>	<u>2,609,173</u>	<u>1,762,372</u>	<u>(526,529)</u>	<u>4,250,954</u>	<u>4,777,483</u>
Fund balances, June 30, 2001	<u>\$ -</u>	<u>\$ 2,502,819</u>	<u>\$ 2,502,819</u>	<u>\$ -</u>	<u>\$ 4,643,597</u>	<u>\$ 4,643,597</u>

See accompanying notes to financial statements.

LA PAZ COUNTY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual—Capital Projects Fund Type
Year Ended June 30, 2001

	Capital Projects Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Total revenues			
Expenditures:			
Capital outlay	<u>\$ 240,000</u>	<u>\$ 372,663</u>	<u>\$ (132,663)</u>
Excess of expenditures over revenues	(240,000)	(372,663)	(132,663)
Other financing sources:			
Operating transfers in	<u>240,000</u>	<u>377,185</u>	<u>137,185</u>
Excess of revenues and other financing sources over expenditures		4,522	4,522
Fund deficit, July 1, 2000	<u> </u>	<u>(3,700)</u>	<u>(3,700)</u>
Fund balance, June 30, 2001	<u>\$ -</u>	<u>\$ 822</u>	<u>\$ 822</u>

See accompanying notes to financial statements.

LA PAZ COUNTY
Statement of Revenues, Expenses, and Changes in Retained Earnings—Enterprise Fund
Year Ended June 30, 2001

Operating revenues:	
Golf course fees	\$ 1,461,944
Miscellaneous	<u>7,069</u>
Total operating revenues	<u>1,469,013</u>
Operating expenses:	
Personnel services	513,712
Supplies	264,698
Professional services	43,231
Communication	5,655
Repairs and maintenance	85,350
Public utility service	56,762
Depreciation	182,025
Other	<u>51,334</u>
Total operating expenses	<u>1,202,767</u>
Operating income	<u>266,246</u>
Nonoperating revenues (expenses):	
Investment income	25,487
Interest expense	<u>(195,479)</u>
Net nonoperating expenses	<u>(169,992)</u>
Net income	96,254
Accumulated deficit, July 1, 2000, as restated	<u>(880,741)</u>
Accumulated deficit, June 30, 2001	<u>\$ (784,487)</u>

See accompanying notes to financial statements.

LA PAZ COUNTY
Statement of Cash Flows—Enterprise Fund
Year Ended June 30, 2001

Cash flows from operating activities:	
Cash received for services	\$ 1,480,553
Cash paid to suppliers	(468,381)
Cash paid to employees	<u>(506,204)</u>
Net cash provided by operating activities	<u>505,968</u>
Cash flows from noncapital financing activities:	
Negative cash balance implicitly financed	771,558
Negative cash balance implicitly repaid	<u>(734,313)</u>
Net cash provided by noncapital financing activities	<u>37,245</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(114,126)
Principal payments on long-term debt	(243,496)
Interest paid on long-term debt	<u>(195,479)</u>
Net cash used for capital and related financing activities	<u>(553,101)</u>
Cash flows from investing activities:	
Proceeds from sale of investments	11,673
Interest received on investments	<u>25,487</u>
Net cash provided by investing activities	<u>37,160</u>
Net increase in cash and cash equivalents	27,272
Cash and cash equivalents, July 1, 2000	<u>5,800</u>
Cash and cash equivalents, June 30, 2001	<u>\$ 33,072</u>

(Continued)

See accompanying notes to financial statements.

LA PAZ COUNTY
Statement of Cash Flows—Enterprise Fund
Year Ended June 30, 2001
(Continued)

Reconciliation of operating income to net cash provided by
operating activities:

Operating income	\$ 266,246
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Adjustments to reconcile operating income to net cash
provided by operating activities:

Depreciation	182,025
Decrease in accounts receivable	11,540
Increase in prepaid items	(260)
Increase in accounts payable	39,755
Decrease in due to others	(846)
Increase in accrued payroll and employee benefits	6,406
Increase in compensated absences payable	<u>1,102</u>

Net cash provided by operating activities	<u>\$ 505,968</u>
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See accompanying notes to financial statements.

LA PAZ COUNTY
Combining Statement of Net Assets
Investment Trust Funds
Year Ended June 30, 2001

Assets	<u>Treasurer's Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total</u>
Cash and cash equivalents	\$ 16,683,989	\$ 34,242	\$ 16,718,231
Interest receivable	<u>12,746</u>	<u>1,754</u>	<u>14,500</u>
Total assets	<u>16,696,735</u>	<u>\$ 35,996</u>	<u>16,732,731</u>
 Liabilities			
Total liabilities	<u> </u>	<u> </u>	<u> </u>
 Net assets held in trust	<u><u>\$ 16,696,735</u></u>	<u><u>\$ 35,996</u></u>	<u><u>\$ 16,732,731</u></u>

See accompanying notes to financial statements.

LA PAZ COUNTY
Combining Statement of Changes in Net Assets
Investment Trust Funds
Year Ended June 30, 2001

	<u>Treasurer's Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total</u>
Additions:			
Contributions from participants	\$28,199,675	\$ 4,345	\$28,204,020
Investment income	<u>826,106</u>	<u>3,236</u>	<u>829,342</u>
Total additions	<u>29,025,781</u>	<u>7,581</u>	<u>29,033,362</u>
Deductions:			
Distributions to participants	<u>29,899,882</u>	<u>-</u>	<u>29,899,882</u>
Net increase (decrease) in net assets	(874,101)	7,581	(866,520)
Net assets held in trust:			
July 1, 2000	<u>17,570,836</u>	<u>28,415</u>	<u>17,599,251</u>
June 30, 2001	<u>\$ 16,696,735</u>	<u>\$ 35,996</u>	<u>\$16,732,731</u>

See accompanying notes to financial statements.

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

Note 1 - Summary of Significant Accounting Policies

The accounting policies of La Paz County conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the County's more significant accounting policies follows.

The County's major operations include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education. In addition, the County owns and operates one enterprise activity: a golf course.

A. Reporting Entity

The County is a general purpose local government that is governed by a separately elected board of three county supervisors. These general purpose financial statements present all the fund types and account groups of the County (a primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. Each blended component unit discussed below has a June 30 year-end. The County has no discretely presented component units.

Blended Component Units—The La Paz County Jail District is a tax-levying public improvement district that acquires, constructs, operates, maintains, and finances county jails and jail systems, pursuant to Arizona Revised Statutes. The District is included in the accompanying financial statements since the District's governing body is the same as the governing body of La Paz County and provides services to the entire County. The District's financial statements are included in the County's financial statements in the Special Revenue Fund Types and the General Fixed Assets and the General Long-Term Debt Account Groups. Complete financial statements may be obtained at the La Paz County Jail District's administrative offices, 1108 Joshua Avenue, Parker, Arizona 85344.

The La Paz County Municipal Property Corporation (Corporation) is a nonprofit corporation created by the County to assist in the acquisition of real and personal property for the County. The transactions of the Corporation are included in the County's financial statements in the General Fund. Separate financial statements of the Corporation are not prepared.

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

B. Fund Accounting

The County's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the County's available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with the activities or objectives specified for those resources. Each fund is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. Account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

Accounts are separately maintained for each fund and account group; however, in the accompanying financial statements, funds that have similar characteristics have been combined into generic fund types that are further classified into broad fund categories. A description of the County's fund categories, types, and account groups follows.

1. Governmental Funds account for the County's general government activities using the flow of current financial resources measurement focus and include the following fund types.

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in other funds.

The *Special Revenue Funds* account for specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes.

The *Capital Projects Fund* accounts for resources to be used for acquiring or constructing major capital facilities, other than those financed by Proprietary Funds.

2. Proprietary Funds account for the County's ongoing activities that are similar to those found in the private sector using the flow of economic resources measurement focus. The County applies all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The County's proprietary fund includes the following fund type.

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

The *Enterprise Fund* accounts for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the Board of Supervisors is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or for which the Board of Supervisors has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Funds account for assets the County holds on behalf of others, and include the following fund types.

The *Investment Trust Funds* account for investments made by the County on behalf of other governmental entities using the economic resources measurement focus.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. This fund is used to account for assets that the government holds for others in an agency capacity.

4. Account Groups are used to establish control and accountability for certain County assets and liabilities that are not recorded in the funds and include the following two groups.

The *General Fixed Assets Account Group* accounts for all of the County's fixed assets, except those accounted for in the Enterprise Fund.

The *General Long-Term Debt Account Group* accounts for all of the County's long-term obligations, except those accounted for in the Enterprise Fund.

C. Basis of Accounting

The financial statements of the Governmental and Agency Funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance current-period expenditures. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general long-term debt that are recognized when due.

Revenues susceptible to accrual are property taxes; franchise taxes; special assessments; licenses and permits; intergovernmental aid, grants, and reimbursements; interest revenue; charges for services; and sales taxes collected and held by the State at year-end on the County's behalf. Fines and forfeits, rents, contributions, and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

The financial statements of the Proprietary and Investment Trust Funds are presented on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

D. Budgeting and Budgetary Control

Arizona Revised Statutes (A.R.S.) require the County to prepare and adopt a balanced budget annually for each separate fund. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibit expenditures or liabilities in excess of the amounts budgeted.

Essentially, the County prepares its budget on the same modified accrual basis of accounting used to record actual revenues and expenditures.

The County has adopted budgets in accordance with the A.R.S. requirements for the General, Special Revenue, and Capital Projects Funds. Formal budget integration is not employed for the Enterprise Fund because effective budgetary control is alternatively achieved through the capability of cost recovery.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon approval of the Board of Supervisors. With the exception of the General Fund, each fund includes only one department.

Encumbrance accounting, under which purchase orders, contracts, and other commitments to expend monies are recorded to reserve that portion of the applicable fund balance, is not employed by the County during the year. However, the County must encumber amounts necessary and available to pay liabilities outstanding for goods or services received but unpaid at June 30, after which warrants may be drawn against the encumbered amounts for 60 days immediately following the close of the fiscal year. After 60 days, the remaining encumbered balances lapse.

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

E. Cash and Investments

For purposes of its statement of cash flows, the County considers only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of 1 year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

F. Inventories

Purchases of inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made, and because the amounts on hand at June 30, 2001, were immaterial, they are not included in the balance sheet.

G. Fixed Assets

Purchased fixed assets capitalized in the General Fixed Assets Account Group are recorded at the time of purchase as expenditures in the funds from which the expenditures were made. Such assets are capitalized at cost. Donated fixed assets are capitalized at their estimated fair market value at the time received.

Depreciation on general fixed assets is not recorded, and interest incurred during construction is not capitalized. Also, public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage and lighting systems, are not capitalized.

Purchased fixed assets of the Enterprise Fund are capitalized in that fund at cost. Major outlays for assets or improvements to them are capitalized as projects are constructed. Interest incurred during the construction phase of the project is capitalized net of interest earned on the invested proceeds over the same period. Donated fixed assets are capitalized at their estimated fair market value at the time received. Depreciation of fixed assets in the Enterprise Fund is charged as an expense against operations. These assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Golf course and improvements	30 years
Machinery and equipment	2-10 years

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

H. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 160 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate an unlimited number of sick leave hours. Generally, sick-leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. However, employees who accumulate unused sick leave in excess of 384 hours are paid a percentage of the excess unused sick leave based on the number of years of consecutive service with the County and, therefore, are accrued.

The liability for vested compensated absences of the Governmental Funds is recorded in the General Long-Term Debt Account Group since the amount expected to be paid from current financial resources is not significant. Vested compensated absences of the Enterprise Fund are recorded as expenses and liabilities of that fund as the benefits accrue to employees.

I. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

J. Property Taxes

Property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred revenues.

K. Intergovernmental Grants and Aid

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

Note 2 - Individual Fund Deficits

The following individual funds had significant fund deficits at June 30, 2001:

<u>Fund Description</u>	<u>Deficit</u>
<u>Special Revenue Funds</u>	
Health department	\$ 18,475
La Paz county park	18,492
WIA (Workforce Investment Act)	46,459
LAG grant	7,212
ACJC drug enforcement	21,312
County probation serv 12-267	20,735
Task force prosecutor	15,735
Criminal justice enhancement	18,637
DES child support program	20,160
County antiracketeering	25,434
Victim's rights	9,533
COPS/FAST	6,529
OHV grant	14,755
COPS in school	17,981
<u>Enterprise Fund</u>	
La Paz County golf course	784,487

The above fund deficits resulted from operations during the year or a carryover from prior years and are expected to be corrected through normal operations in the future.

Note 3 - Deposits and Investments

Arizona Revised Statutes authorize the County to invest public monies in the State Treasurer's investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

County Treasurer's Investment Pool—Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer (see Note 4). Those monies are pooled with County monies for investment purposes.

Deposits—At June 30, 2001, the carrying amount of the investments pool's total cash in bank was \$214,668, and the bank balance was \$399,808. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$299,808 was covered by collateral held by the pledging financial institution's agent in the County's name.

Investments—At June 30, 2001, the investments in the County Treasurer's investment pool consisted of the following:

	<u>Fair Value</u>
Investment in State Treasurer's investment pool	<u>\$22,139,519</u>

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

Other Deposits—At June 30, 2001, the total nonpooled cash on hand was \$2,446. The carrying amount of the County's total nonpooled cash in bank was \$540,385, and the bank balance was \$658,918. Of the bank balance, \$286,311 was covered by federal depository insurance and \$372,607 was covered by collateral held by the pledging financial institution in County's name.

Other Investments—The County's nonpooled investments at June 30, 2001, are categorized below to give an indication of the level of risk assumed by the County at year-end.

Category 1—insured or registered in the County's name, or securities held by the County or its agent in the County's name.

Category 2—uninsured and unregistered with securities held by the counterparty's trust department or agent in the County's name.

Category 3—uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the County's name.

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

	Category			Fair Value
	1	2	3	
U.S. government securities		\$ 658,608		\$ 658,608
Money market investments		864,114		864,114
		<u>\$1,522,722</u>		<u>\$1,522,722</u>

A reconciliation of cash and investments to amounts shown on the combined balance sheet follows.

Cash and investments:

	County Treasurer's Investment Pool	Other	Total
Cash on hand		\$ 2,446	\$ 2,446
Carrying amount of deposits	\$ 214,668	540,385	755,053
Reported amount of investments	<u>22,139,519</u>	<u>1,522,722</u>	<u>23,662,241</u>
Total	<u>\$22,354,187</u>	<u>\$2,065,553</u>	<u>\$24,419,740</u>

Combined balance sheet:

Cash and cash equivalents	\$22,897,018
Cash and investments held by trustees	<u>1,522,722</u>
Total	<u>\$24,419,740</u>

Note 4 - County Treasurer's Investment Pool

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County monies under her stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

The County Treasurer's investment pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The pool's structure does not provide for shares, and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments.

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

A condensed statement of the investment pool's net assets and changes in net assets follows.

Statement of Net Assets	
Assets	\$22,366,933
Liabilities	-
Net assets	<u>\$22,366,933</u>
Net assets held in trust for:	
Internal participants	\$ 5,670,198
External participants	<u>16,696,735</u>
Total net assets held in trust	<u>\$22,366,933</u>
Statement of Changes in Net Assets	
Total additions	\$54,324,782
Total deductions	<u>54,695,760</u>
Net decrease	(370,978)
Net assets held in trust:	
July 1, 2000	<u>22,737,911</u>
June 30, 2001	<u>\$22,366,933</u>

Note 5 - Property Taxes Receivable

The County levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer's Office, and at June 30, 2001, were as follows:

Fiscal Year	General Fund	Special Revenue Funds
2000-01	\$140,910	\$291
Prior	<u>225,268</u>	<u>302</u>
Total	<u>\$366,178</u>	<u>\$593</u>

That portion of property taxes receivable not collected within 60 days after June 30, 2001, has been deferred and, consequently, is not included in current-year revenues.

Note 6 - Due from Other Governments

Amounts due from other governments in the General Fund at June 30, 2001, include \$190,367 in sales taxes, auto lieu tax, and excise tax from the State of Arizona and \$179,500 for Disproportionate Housing revenue sharing from the State of Arizona.

Amounts due from other governments in the Special Revenue Funds include \$260,480 in highway user taxes from the State of Arizona; \$113,330 in auto lieu and jail tax from the State of Arizona; \$342,312 in inmate housing fees from the U.S. Department of Treasury; and \$178,323 from the Federal Emergency Management Agency for flood assistance.

The remaining balance of \$25,258 and \$164,557 in the General and Special Revenue Funds, respectively, consists of grants and contracts from the state and federal governments.

Note 7 - Changes in General Fixed Assets

A summary of the changes in the General Fixed Asset Account Group fixed assets follows:

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2001</u>
Land	\$ 585,757			\$ 585,757
Buildings	8,948,668	\$ 3,333		8,952,001
Improvements other than buildings	383,309			383,309
Machinery and equipment	<u>9,471,410</u>	<u>1,318,492</u>	<u>\$228,675</u>	<u>10,561,227</u>
Total	<u>\$19,389,144</u>	<u>\$1,321,825</u>	<u>\$228,675</u>	<u>\$20,482,294</u>

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

A summary of the changes in the Enterprise Fund fixed assets follows:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2001</u>
Golf course and improvements	\$2,766,319	\$ 34,135	\$ -	\$ 2,800,454
Machinery and equipment	744,393	79,991	-	824,384
Subtotal	<u>\$3,510,712</u>	<u>\$114,126</u>	<u>\$ -</u>	\$ 3,624,838
Less: Accumulated depreciation				(1,742,645)
Total				<u>\$ 1,882,193</u>

Note 8 - Certificates of Participation Payable

The County has issued certificates of participation to finance construction of the courthouse and government center complex, the jail facility, and the Emerald Canyon golf course. The certificates are generally callable with interest payable semi-annually.

Principal and interest requirements at June 30, 2001, were as follows:

<u>Description</u>	<u>Interest</u> <u>Rates</u>	<u>Maturities</u>	<u>Outstanding</u> <u>Principal</u> <u>July 1, 2000</u>	<u>(Retirements)</u>	<u>Outstanding</u> <u>Principal</u> <u>June 30, 2001</u>
General Long-Term Debt					
Account Group (GLTDAG)					
Jail facility—series 1994	5.30-5.75%	2002-2009	\$2,060,000	\$(185,000)	\$1,875,000
Courthouse and government center complex—series 1994	5.40-5.75%	2002-2009	1,815,000	(160,000)	1,655,000
Municipal property corporation	4.97%	2001	<u>52,211</u>	<u>(52,211)</u>	<u> </u>
		Total	<u>\$3,927,211</u>	<u>\$(397,211)</u>	<u>\$3,530,000</u>
Enterprise Fund					
Emerald Canyon Golf Course – Refunding Series 1995	7.55-7.70%	2002-2009	<u>\$2,625,000</u>	<u>\$(185,000)</u>	<u>\$2,440,000</u>

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

Certificates of participation debt service requirements to maturity, including \$936,187 and \$953,395 of interest for the Enterprise Fund and GLTDAG, respectively, are as follows:

Year ending June 30,	<u>Enterprise Fund</u>	<u>GLTDAG</u>
2002	\$ 379,003	\$ 561,775
2003	373,525	562,090
2004	376,915	561,505
2005	373,984	559,850
2006	374,535	562,225
Thereafter	<u>1,498,225</u>	<u>1,675,950</u>
Total	<u><u>\$3,376,187</u></u>	<u><u>\$4,483,395</u></u>

Note 9 - Loan Payable

On December 15, 2000, the County obtained a \$1,448,568 Highway Expansion and Extension Loan Program (HELP) loan from the Arizona Department of Transportation (ADOT) to provide emergency services and repairs relating to a flood that occurred in the County during October of 2000. The agreement requires the loan to be repaid by January 1, 2004, with interest, or upon receipt of emergency relief monies, whichever comes first. Additionally, the entire loan is expected to be repaid from emergency relief monies that are to be provided to ADOT directly from the Federal Highway Administration (FHWA).

Note 10 - Landfill Closure and Postclosure Care Costs

The County has contracted with an outside agency to provide operations for its solid waste facilities. The contract requires the outside agency to reserve funds in accordance with the closure plan for closure and post-closure care costs. In the event of termination of the contract, the required reserve funds are to be remitted to the County. Consequently, no liability for landfill closure and post-closure care costs has been recorded on the general purpose financial statements.

Note 11 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; but was unable to obtain insurance at a cost it considered to be economically justifiable. Therefore, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Arizona Local Government Employee Benefit Trust, which are described below.

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 for each property and liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$15 million per occurrence for liability claims. A County must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties with workers' compensation coverage, as required by law, and risk management services. The County is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among the members.

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance triennially. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

The County provides life, health, and disability benefits to its employees and their dependents through the Arizona Local Government Employee Benefit Trust currently composed of five member counties. The Trust provides the benefits through a self-funding agreement with its participants and administers the program. The County is responsible for paying the premium and may require its employees to contribute a portion of that premium through co-pays, deductibles, etc. If it withdraws from the Trust, the County is responsible for any claims run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the County would be responsible for its proportional share of any Trust deficit.

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

Note 12 - Changes in Long-Term Liabilities

A summary of changes in the liabilities reported in the General Long-Term Debt Account Group follows:

	Balance July 1, 2000 (As restated)	Additions	Reductions	Balance June 30, 2001
Compensated absences payable	\$ 340,219	\$ 25,309		\$ 365,528
Certificates of participation payable	3,927,211		\$397,211	3,530,000
Obligations under capital leases	82,425		82,245	180
Claims and judgments payable	159,500	129,500		289,000
Loan payable	<u> </u>	<u>1,448,568</u>	<u> </u>	<u>1,448,568</u>
Total	<u>\$4,509,355</u>	<u>\$1,603,377</u>	<u>\$479,456</u>	<u>\$5,633,276</u>

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

Note 13 - Interfund Receivables, Payables, and Operating Transfers

The interfund receivables, payables, and operating transfers by fund, are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Operating Transfers from Other Funds</u>	<u>Operating Transfers to Other Funds</u>
General	\$771,558		\$1,100,000	\$1,061,547
Special Revenue:				
Wenden Flood—Oct 2000	5,657			
Road		\$ 5,657		
La Paz County jail district				1,100,000
Task force prosecutor			5,000	
Anti-gang enforce and prosecution				5,000
Rabies control			110,707	
Health department			211,112	
La Paz County extension			119,987	
USDOJ-COPS Universal			95,496	
Parker Library			119,520	
DES Child Support Program			54,488	
Boating Safety Grant			38,833	
Parks Grant				4,408
La Paz County Park			4,408	2,230
Victim Witness Program (State)				13,717
Juvenile Victim's Rights			13,717	
JTPA			2,230	
Emergency services			6,143	
Maternal child health			540	28,193
Family planning				15,070
TB Grant (State)				20,993
Lag Grant				9,275
Highway Safety Grant			1,067	
Capital Projects:				
Courthouse JP 4			377,185	
Enterprise Fund		771,558		
Total	<u>\$777,215</u>	<u>\$777,215</u>	<u>\$2,260,433</u>	<u>\$2,260,433</u>

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

Note 14 - Retirement Plans

Plan Descriptions—The County contributes to the three plans described below. Benefit are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The Employee Security Plan (ESP) is a defined contribution plan administered by Massachusetts Mutual Life Insurance Company that covers all permanent full-time employees of the County except for participants in the Public Safety Retirement System and the Elected Officials Retirement Plan (EORP). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The *Public Safety Personnel Retirement System (PSPRS)* is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 189 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Elected Officials Retirement Plan (EORP)* is a cost-sharing multiple-employer defined benefit pension plan that covers elected officials and judges of certain state and local governments. The EORP is governed by The Fund Manager of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.

Each defined benefit plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

PSPRS and EORP

1020 E. Missouri Ave.
Phoenix, AZ 85014

(602) 255-5575

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates.

ESP—All employees under this plan, excluding elected officials, were allowed to elect a contribution rate of 6 to 15 percent. The plan also requires that the County contribute an amount equal to 6 percent of the employees' compensation for employees with service of 4 years or less, 8 percent for employees with service of at least 4 years but less than 7 years, and 10 percent for employees with service greater than 7 years.

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

Both the County and covered employees made the required contributions of 6 to 15 percent amounting to contributions of \$480,997 by the County and \$609,293 by covered employees.

Cost-sharing plans—For the year ended June 30, 2001, active EORP members were required by statute to contribute 7 percent of the members' annual covered payroll. The County was required to remit a designated portion of court docket fees plus additional contributions of 3.07 percent of the member's annual covered payroll, as determined by actuarial valuation. The County's contributions to EORP for the years ended June 30, 2001, 2000, and 1999 were \$5,248, \$4,808, and \$5,200, respectively, which were equal to the required contributions for the year.

Agent plans—For the year ended June 30, 2001, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 10.36 percent.

Annual Pension Cost—The County's pension cost for the agent plan for the year ended June 30, 2001, and related information follows.

	<u>PSPRS</u>
Contribution rates	10.36%
County	7.65%
Plan members	\$132,008
Annual pension cost	
Contributions made	\$132,008

The current-year annual required contributions for PSPRS were determined as part of their June 30, 1999, actuarial valuations using the entry-age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return and (b) projected salary increases ranging from 6.5 percent to 9.5 percent per year. Both (a) and (b) included an inflation component of 5.5 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 1999, was 20 years.

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

Trend Information—Annual pension cost information for the current and 2 preceding years follows for each of the agent plans.

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PSPRS	2001	\$ 132,008	100 %	\$0
	2000	94,973	100	0
	1999	99,582	100	0

Analysis of Funding Progress—The following information was obtained from the three most recent actuarial valuations of the agent plans.

PSPRS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Funding (Liability) Excess (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded Liability as Percentage of Covered Payroll [(a-b)/c]</u>
6/30/01	\$5,211,418	\$4,653,857	\$557,561	112.0%	\$1,357,608	----%
6/30/00	4,709,109	4,434,870	274,239	106.2%	1,219,364	----%
6/30/99	4,033,317	4,070,481	(37,164)	99.1%	1,167,327	3.2%

Note 15 - Restatement of Beginning Balances

The fund balances of the Debt Service Fund, and Enterprise Fund and the General Long-Term Debt Account Group balances at June 30, 2000, have been restated as follows:

LA PAZ COUNTY
Notes to Financial Statements
June 30, 2001

	<u>Debt Service Fund</u>	<u>Enterprise Fund</u>	<u>General Long- Term Debt Account Group</u>
Fund balances (deficit) and account group balance at June 30, 2000, as previously reported	\$45,985	\$(1,000,505)	\$4,572,355
Corrections for special assessment debt that did not constitute a general obligation of the County	(45,985)		(63,000)
Correction of overstatement of expenditures for interest accrued in prior financial statements		119,764	
Obligations under capital leases reclassified as certificates of participation		(2,625,000)	(3,875,000)
Certificates of participation reclassified from obligations under capital leases	<u> </u>	<u>2,625,000</u>	<u>3,875,000</u>
Fund balances (deficits) and account group balance at July 1, 2000, as restated	<u>\$ -0-</u>	<u>\$ (880,741)</u>	<u>\$4,509,355</u>

Note 16 - Subsequent Event

On September 26, 2001, the Arizona Department of Transportation (ADOT) received \$1,184,811 in Federal Highway Administration (FHWA) Emergency Relief monies for repayment of principal (\$1,162,578) and interest (\$22,233) relating to the \$1,448,568 Highway Expansion and Extension Loan Program (HELP) loan owed by the County to ADOT at June 30, 2001. Also, it is FHWA's intent to pay the remaining principal balance of \$263,757 when federal monies become available.

Supplementary Information

LA PAZ COUNTY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2001

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226		\$ 473,763
U.S. Department of Justice			
Local Law Enforcement Block Grants Program	16.592		11,815
Passed through the Arizona Criminal Justice Commission			
Byrne Formula Grant Program	16.579	PC-160-01, AC-120-01	119,088
Public Safety Partnership and Community Policing Grants	16.710	2000SHWX0155	<u>52,895</u>
Total U.S. Department of Justice			<u>183,798</u>
U.S. Department of Labor			
Passed through the Mohave County Board of Supervisors			
Welfare-to-Work Grants to States and Localities	17.253	E5709051	4,417
Workforce Investment Act	17.255	E5701014	<u>95,622</u>
Total U.S. Department of Labor			<u>100,039</u>
U.S. Federal Emergency Management Agency			
Passed through the Arizona Division of Emergency Management			
Public Assistance Grants	83.544	1347-DR-AZ-012-99012-00	1,230,278
U.S. Department of Education			
Passed through the Arizona Department of Education			
Adult Education—State Grant Program	84.002	V002A010003	47,059
U.S. Department of Health and Human Services			
Passed through the Arizona Department of Health Services			
Immunization Grants	93.268	152050	8,245
Child Support Enforcement	93.563	E7200012, E7201012	209,259
Preventive Health and Health Services Block Grant	93.991	953023	3,211
Maternal and Child Health Services Block			
Grant to the States	93.994	761110	<u>12,377</u>
Total U.S. Department of Health and Human Services			<u>233,092</u>
Total Expenditures of Federal Awards			<u><u>\$2,268,029</u></u>

See accompanying notes to schedule.

LA PAZ COUNTY
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2001

Note 1 – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of La Paz County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 – Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor, the *2001 Catalog of Federal Domestic Assistance* or the *2001 A-133 Compliance Supplement*.

Note 3 – Subrecipients

The County did not award federal monies to subrecipients for the fiscal year ended June 30, 2001.



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of General Purpose Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Board of Supervisors of
La Paz County, Arizona

We have audited the general purpose financial statements of La Paz County as of and for the year ended June 30, 2001, and have issued our report thereon dated May 23, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we will report to the County's management in a separate letter that will be issued at a later date.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 01-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that could be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all such internal control matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above to be a material weakness. We also noted other matters involving internal control over financial reporting that we will report to the County's management in a separate letter that will be issued at a later date .

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Debbie Davenport
Auditor General

May 23, 2002



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

Members of the Arizona State Legislature

The Board of Supervisors of
La Paz County, Arizona

Compliance

We have audited the compliance of La Paz County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, La Paz County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying Schedule of Findings and Questioned Costs as item 01-101.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 01-101.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all such internal control matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Debbie Davenport
Auditor General

May 23, 2002

LA PAZ COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2001

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Yes **No**

Material weakness identified in internal control over financial reporting? ___ X

Reportable condition identified not considered to be a material weakness? X ___

Noncompliance material to the financial statements noted? ___ X

Federal Awards

Material weakness identified in internal control over major programs? ___ X

Reportable condition identified not considered to be a material weakness? X ___

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])? X ___

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

83.544
93.563

Public Assistance Grants
Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X ___

Other Matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with Circular A-133 (section .315[b])? ___ X

LA PAZ COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2001

Financial Statement Findings

01-01

The County needs to establish adequate internal controls to protect its information system from unauthorized use, damage, loss, or modification

The County's access, backup, and recovery controls did not adequately protect its information system from unauthorized use, damage, loss, or modification. Specifically, the County has not:

- Developed written procedures for physical access to the computer room or limit access to the appropriate employees. Also, all County personnel have unrestricted access to the local area network servers that are located in a building separate from management information system personnel.
- Developed written procedures for logical access to applications or limited access to appropriate personnel. In addition, all Treasurers' Office personnel have access to both the general ledger and the tax management software, and all Finance Department personnel have access to the general ledger, accounts payable, payroll, and human resources software.
- Provided adequate protection to prevent and detect computer viruses. Also, the County has not installed an anti-virus protection package on the County's computer system.
- Developed and documented a formal disaster recovery plan. Also, the County does not have formal plans or agreements with vendors or other sites for interim processing in the event of a disaster.

To maintain the integrity of the County's data files and prevent manipulation of the operating and application software, the County should adequately restrict access to its information system. Physical access to the computer room should be restricted to operating personnel, and application software should be restricted to essential personnel.

Also, to help ensure the continued operation of critical applications, the County should prepare a formal disaster recovery plan. At a minimum, this plan should address the following:

- Backup data and program files
- Each employee's duties and responsibilities
- Data recovery site location
- Recovery procedures for each critical system
- Provisions for regular system testing

LA PAZ COUNTY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2001

- Formal contract arrangements with vendors to provide services in the event recovery is needed, including a backup site facility

In addition, a copy of this plan should be stored at an off-site location.

Federal Award Findings and Questioned Costs

01-101

CFDA No.: 83.544 **Public Assistance Grants**

Federal Emergency Management Agency passed through Arizona Division of Emergency Management

Award Year: October 21, 2000 through April 27, 2002

Award Number: 1347-DR-AZ-012-99012-00

Activities Allowed or Unallowed

Questioned Cost: \$12,808

The La Paz County Public Works Department received excess reimbursements totaling \$12,808 relating to equipment rental costs charged to the program. Specifically, the costs of renting equipment from outside contractors was charged as a direct cost to the program and was also included on the worksheets used by the County to obtain reimbursement for the internal use of County equipment. OMB Circular A-87, "Cost Principles for State and Local and Indian Tribal Governments", Attachment A, General Principles for Determining Allowable Costs, Section C.2 and 44 Code of Federal Regulations (CFR) §13.22 requires program costs to be necessary and reasonable for the administration of federal awards, reasonable in amount, and chargeable in relation to the relative benefits received. To help ensure compliance with OMB Circular A-87 and 44 CFR §13.22, the County should establish internal control policies and procedures to ensure that only proper and reasonable costs are charged to federal programs.



La Paz County Finance

1108 S. Joshua Avenue Office (928) 669-2247
Parker, Arizona 85344 Facsimile (928) 669-9709

June 25, 2002

Debra K. Davenport, CPA
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms Davenport:

The following corrective action plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's schedule of findings and questioned costs.

Sincerely,

Ava Alcaida
Finance Director

**La Paz County, Arizona
Corrective Action Plan
Year Ended June 30, 2001**

Financial Statement Findings

01-01 – Information System Internal Controls

Name of Contact Person: Ava Alcaida

Anticipated completion date: December 31, 2003

Effective June 24, 2002, La Paz County has restricted physical access to the computer room to Board of Supervisor, Finance, and MIS staff only. The door to the computer room will remain locked at all times, with access controlled and monitored by Finance staff. Appropriate signage is in place.

La Paz County will develop written procedures for logical access to applications by the completion date noted above. Currently, all Treasurers' Office personnel have access to both the Treasurer's general ledger and tax management software, and all Finance Department personnel have access to Finance's general ledger, accounts payable, and payroll software. Such access is necessary due to software design, cross training, and the small size of both departments' staff.

La Paz County installed virus protection software in July 2001.

La Paz County will develop and document a formal disaster recovery plan by the completion date noted above. At a minimum, the plan will address the following:

- Backup data and program files
- Each employee's duties and responsibilities
- Data recovery site location
- Recovery procedures for each critical system
- Provisions for regular system testing
- Formal contract arrangements with recovery service providers
- Offsite plan storage

Federal Award Findings and Questioned Costs

01-101 – Public Works Job Costing Internal Controls

Name of Contact Person: Ava Alcaida

Anticipated completion date: December 31, 2003

Finance personnel will work with Public Works personnel to develop tools and procedures to use to reconcile job cost amounts to La Paz County's general ledger.